

August 3, 2004

CENTRAL MAINE POWER COMPANY
Request for Approval Of Affiliated Interest
Transaction For Facility Use Agreements

SUPPLEMENTAL ORDER

WELCH, Chairman; DIAMOND and REISHUS, Commissioners

I. SUMMARY

In this Supplemental Order we approve amended affiliated interest agreements for the lease of storage facilities by Central Maine Power Company (CMP or the Company) to its affiliates Maine Electric Power Company (MEPCO), The Southern Connecticut Gas Company (SCG), Connecticut Natural Gas Corporation (CNG), The Berkshire Gas Company (BCG) and New York State Electric & Gas (NYSEG), pursuant to 35-A M.R.S.A. § 707.

II. BACKGROUND & DECISION

We approved inter-company agreements between CMP and the affiliates noted above on July 22, 2003 in our original order in this docket. On July 9, 2004, CMP requested that we approve two changes to the standard Facility Use Agreement (FUA) under which CMP and each of its affiliates has operated since its approval. These changes are to Sections 3 and 7.2 pertaining to other state regulatory approvals and indemnifying CMP for certain liabilities related to storage respectively.

By way of review, MEPCO leases a portion of CMP's North Augusta Service Center (NASC) for the storage of miscellaneous electric equipment, including items that are subject to State and Federal environmental regulations, while SCG, CNG, BGC and NYSEG each lease a portion of CMP's General Office in Augusta for the storage of computer equipment. The lease prices may vary from year to year, but are designed to fully compensate CMP for all of its costs, including overheads, maintenance and use of capital, consistent with Rule 91 of the Securities & Exchange Commission's (SEC) regulations. The annual lease rates are based on the percentage of square footage occupied by each affiliate in its respective location and MEPCO's first year lease payment amounted to roughly \$6,200. CMP's utility affiliates paid a combined total of roughly \$25,000 in year-one lease fees.

This request proposes additional language in Sections 3 and 7 of the lease agreements. The original Section 3 language specified that the agreements would take effect following approval by this Commission only. The proposed language simply indicates that the agreement is also subject to any other state commission approval that

might be required. Therefore, if SCG required approval from the Connecticut Department of Public Utility Control (DPUC) prior to entering the agreement and was for some reason unable to obtain such approval, SCG would not be committed to lease payments to CMP.

The proposed Section 7 language limits an affiliate's indemnity of CMP to liabilities resulting from the affiliate's use of CMP's facilities. The parties apparently thought the original language could have been interpreted too broadly. We believe that the language changes in both sections are reasonable.

No public utility may arrange for the furnishing of any service with an affiliated interest until the Commission finds that the arrangement is not adverse to the public interest. 35-A M.R.S.A. § 707(3). The proposed agreements as amended continue to make use of vacant storage space in two Augusta facilities and will therefore not hinder CMP's efforts in providing safe and reliable service for its Maine ratepayers. CMP states that the lease rates are designed to fully compensate it for all costs incurred (including its cost of capital) and the Company is currently operating under an incentive rate making scheme ("ARP 2000"). It is therefore unlikely that CMP would have any incentive to undercharge its affiliates to the detriment of its ratepayers and we conclude that the agreements are not adverse to the public interest.

Accordingly, we

O R D E R

That the amended Facility Use Agreements described in Central Maine Power Company's petition filed July 9, 2004, which contemplates transactions between affiliates Central Maine Power Company and each of, Maine Electric Power Company, The Southern Connecticut Gas Company, Connecticut Natural Gas Corporation, The Berkshire Gas Company and New York State Electric & Gas Company, are approved.

Dated at Augusta, Maine, this 3rd day of August, 2004.

BY ORDER OF THE COMMISSION

Raymond Robichaud
Assistant Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Diamond
 Reishus

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 21 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.